



Serving the People of California

# CALIFORNIA EMPLOYER

First Quarter 1998

## All employers required to report new employees beginning July 1

Employers will play a key role in the success of recent federal welfare reforms contained in the Personal Responsibility and Work Opportunity Reconciliation Act of 1996. This legislation includes provisions for enhancement of child welfare and child support enforcement to more effectively identify and collect child support payments from parents who are delinquent in their obligations.

Toward this end, the law—effective July 1, 1998, in California—requires all employers to report all new employees to the Employment Development Department (EDD) within 20 calendar days of the employee's "start-of-work" date. This information will be cross-matched against child support records to locate parents, establish a support order, or enforce an existing order.

### Benefits of Expanded Reporting

Increased child support collections, coupled with new work requirements, will enable many custodial parents and their children to become financially independent. A significant benefit of the program for California employers will be EDD's increased ability to identify persons who are working, but fraudulently collecting Unemployment

### New Employee Reporting Requirements

- **Effective date:**
  - July 1, 1998.
- **Who must report:**
  - All employers.
- **Reporting frequency:**
  - Within 20 days of hiring.  
(Magnetic media filers make 2 monthly transmissions.)
- **Reporting exemptions:**
  - None.
- **Information that must be reported:**
  - Employer's name, address, EDD employer account number, and Federal Employer Identification Number (FEIN).
  - Employee's full first name, last name, Social Security number, home address, and "start-of-work" date.



Insurance (UI) benefits. The new 20-day reporting requirement will enable the state to detect fraud and establish overpayments within 3 weeks of the employment date. This provision will save millions of dollars from being paid out of the UI Fund on fraudulent claims each year.

### How to Report New Employees

We encourage employers to use the *Report of New Employees* (DE 34) form to report this information to EDD. The DE 34 form and instructions will be mailed to you prior to July 1, 1998. You may also report by sending us a copy of

the federal *Employee's Withholding Allowance Certificate* (W-4), but it must include the start-of-work date and your EDD employer account number on the form. Reports may be sent by mail (paper copy or via magnetic media) or faxed to (916) 653-5214. For magnetic media filing information, please call our Magnetic Media Unit at (916) 654-6845.

### For More Information

Please contact your nearest Employment Tax Customer Service Office, call our New Employee Registry (NER) Hotline at (916) 657-0529, or visit our Internet site at <http://www.edd.cahwnet.gov>.

## Program offers employers special tax credits

You may receive up to \$8,500 per person hired under the federal Work Opportunity Tax Credit (WOTC) program created by the Small Business Job Protection Act. For every eligible job seeker hired, you may claim a tax credit.



Generally, WOTC-eligible job seekers are in one of several target groups, such as veterans receiving Food Stamps, youths ages 18 through 24 living in designated

poverty communities, and Temporary Assistance for Needy Families recipients (formerly known as Aid to Families with Dependent Children).

There are only two short forms to complete to apply for this tax credit, and you can even request a referral of an eligible job seeker from EDD. For details, contact your nearest EDD office (listed in the State Government section of your telephone directory) or check EDD's website at: <http://www.edd.cahwnet.gov/wotcind.htm>.

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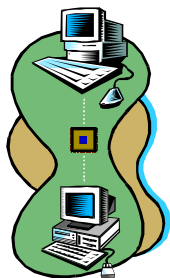
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## Save paperwork by filing your DE 6 electronically

Beginning March 1, 1998, you will be offered the opportunity to submit your *Quarterly Wage and Withholding Report* (DE 6) electronically using your computer and modem. We call this Electronic Data Interchange, or EDI.

### What are EDI's Advantages?

- Reduced paperwork: EDI will eliminate the paperwork and postage costs associated with filing your DE 6 reports by mail.
- Reports post immediately: DE 6 reports you submit electronically will post to your account sooner than if



you filed your form by mail or by magnetic media. This enables us to respond to your inquiries more quickly.

If you are interested in filing your DE 6s using the EDI method, you will need a computer, modem, and the appropriate software.

To request an EDI Information Guide, which describes how to initiate an EDI transaction, or if you have any questions, please contact us at (916) 654-9887.

## Do you have employees in more than one state?

If you have employees in California and one or more other states, and file your New Employee Registry (NER) reports by magnetic media, you may elect to report all new hires to a single state in which you have employees.



We encourage multi-state employers to report all California employees to the

California New Employee Registry. (Multi-state employers who elect to report all new hires to California must comply with California's NER program requirements.)

To select a state to report all of your new hires, notify:

U.S. Department of Health and Human Services  
Administration for Children and Families  
Office of Child Support Enforcement  
Multi-state Employer Notification  
P.O. Box 509  
Randallstown, MD 21133  
Telephone: (202) 401-9267  
Fax: (410) 277-9325

You may also visit their Internet site at <http://www.acf.dhhs.gov/programs/cse/newhire/employ/emult.htm>.

## Informational seminars offered at no-cost

The EDD offers no-cost informational seminars to help you understand and comply with California employment tax laws. The seminars shown below will be offered in April. Seminars can be customized to your specific needs.

For more information, or to find out about seminars that are available in your area, please contact your local Employment Tax Customer Service Office, or visit EDD's Internet site at <http://www.edd.cah.wnet.gov>.

SEMINAR LOCATION & DATE:	TOPIC:	FOR INFORMATION:
Rio Hondo College Downey April 18, 1998 9 a.m. - 4 p.m.	Small Business Tax Day - presentations by EDD, FTB, BOE, IRS, etc.	Downey Employment Tax Customer Service Office (562) 904-1005
Santa Rosa Junior College Santa Rosa April 22, 1998 7:30 - 10:30 a.m.	Managing Your Unemployment Insurance Costs	Santa Rosa College (707) 527-4810

## New telefiling option is now available

If you have five or fewer employees, or you are an employer of household workers, you may want to use the new telefiling option to file your *Quarterly Wage and Withholding Report* (DE 6), *Report of Wages* (DE 3BHW), and *Annual Contribution Return for Employer's of Household Workers* (DE 3HW).

With telefiling, you can use your touch-tone telephone or voice recognition to report over the telephone, instead of filing paper reports.



### What are the Benefits of Telefiling?

- Your paperwork is reduced.
- It is fast and convenient.
- Posting to your account is immediate.
- It will take you less than 10 minutes to report 5 employees.
- You have no postage costs.

For more information on telefiling your reports, or to request a Telefiling User Guide, please call (916) 654-9887.

## Business leaders invited to workforce preparation conference

Business leaders are invited to share their views on "Partnering for Change" at the Workforce Preparation Conference IV, to be held in Palm Springs on March 16-18.

This event will provide an opportunity for state and local leaders of the workforce preparation system and California business leaders to discuss how best to prepare for the future through School to Career, One-Stop Career Centers, and Welfare Reform initiatives.

For more details on the conference, please call 1-800-858-7743.

## Adoption assistance benefits provided to employees may be nontaxable

If you provide adoption assistance benefits to your employees, a recent change in state law adopts the provisions of Section 125 of the Internal Revenue Code (IRC) and may make adoption-related expense payments nontaxable to employees for state Personal Income Tax (PIT) withholding purposes.

Section 137 of the IRC states that an employer's payments for qualified adoption expenses under an adoption assistance program are not subject for federal income tax withholding.

Adoption assistance offered by an employer under an established adoption plan—whether part of a cafeteria plan or not—is excluded from PIT withholding and is not reportable as PIT wages.

This also means that for state tax purposes, payments made both into and from a qualified cafeteria plan are *not* subject to PIT withholding.

### Applies Only to PIT Wages

Note that the changes in taxability of adoption assistance benefits apply only to PIT wages, not total subject wages. There is no provision in the California Unemployment Insurance Code which excludes these benefits from wages for Unemployment Insurance, Employment Training Tax, and State Disability Insurance purposes, regardless of whether or not an employer offers the benefit as part of a qualified IRC Section 125 cafeteria plan.

These changes in treatment of adoption assistance benefits for PIT purposes were enacted retroactive to January 1, 1997. As a result, affected employers will need to complete a *Tax and Wage Adjustments Form* (DE 678) for each quarter in 1997 to correct the PIT wages *only*. Include the following note on the DE 678, Section 1, Reason For Adjustment: "Overreporting due to adoption assistance program." If you have questions, please contact your local Employment Tax Customer Service Office.

## Child support withholding requests from other states must be honored

If you receive earning withholding orders for child support sent from persons or agencies in other states, you *must* honor these orders under a new interstate child support law that took effect January 1, 1998.



If you have any questions concerning this new law, or how interstate income withholding affects you, please contact Kirsten Salomon, Office of Child Support, state Department of Social Services, at (916) 654-1273.

## Important tips for filing and mailing your DE 88 coupons and payments

In spring 1998, we will begin using a new tax processing system to handle *Payroll Tax Deposit* (DE 88) coupons, payments, and returns (see the fourth quarter 1997 *California Employer* for more details). A key benefit of this new system is that your coupons and payments can be processed and posted more efficiently and accurately.

This allows us to more quickly respond to your inquiries, because account information is available earlier. Please follow the tips below to prevent unnecessary billings and to ensure that our

new processing system is able to operate at its most efficient level:

### Tips for DE 88 Coupons

- Use Rev. 14 (1-98) forms only. (Destroy all previous revisions.)
- Verify that total UI, ETT, SDI, and PIT equals "Total Paid."

### Tips for Payments

- Remove all stubs and vouchers from your checks.
- Send personal/cashier's check or money order (do not send cash) for "Total Paid" amount.

### Tips for Mailing

- Use the EDD envelopes we sent you.
- Do *not* use paper clips or staples.

If you need DE 88 coupons or have any questions, please contact your local Employment Tax Customer Service Office. To order DE 88 coupons, you may also call (916) 654-7041. (Note: To ensure proper payment application, when paying a liability billed on an *Employer Account Statement*, DE 2176, send the DE 2176 remittance stub with your payment, *not* a DE 88 coupon.)

## EDD tax forms and publications are available on the Internet

Both the 1998 revised *Quarterly Wage and Withholding Report* (DE 6) and *Report of New Employees* (DE 34) are now available on EDD's Internet site, and can be downloaded. To locate these forms on our website, follow these easy steps:

1. Go to our website at <http://www.edd.cahwnet.gov>.
2. Click on "Forms and Publications."
3. Look for the forms at the "Employment Tax Forms" link.

In addition to the DE 6 and DE 34 forms, you will also find other EDD forms and publications available for downloading in the "Employment Tax Forms" link.

EDD forms are in the Portable Document Format (PDF) and require Adobe® Acrobat Reader to view or print the forms. If you do not already have Adobe® Acrobat Reader, you may download it free of cost from the Adobe® home page (<http://www.adobe.com/>).

To key your employment information on the DE 6 or DE 34, open the form with Adobe® Acrobat Reader. After you complete and print the form, mail it to the EDD address noted on the form. (Note: We do not currently have the capability to accept these forms electronically via the Internet.) The Acrobat Reader will not save your data for later use, so be sure to make a copy for your files. If you have any questions, please contact our Internet Coordinator at (916) 654-8154.

## Lower UI tax rate equals savings for employers

The unemployment insurance (UI) tax rate for approximately 520,000 California employers has declined, effective January 1, 1998. This is the second consecutive year that the UI tax rate has dropped, resulting in a savings of \$170 million this year, and more than \$520 million over two years for the state's employers.

"California's economy has shown exceptional resilience and is continuing its broad-based expansion," said Governor Pete Wilson. "We have developed a strong business climate in the state, as evidenced by our record

high employment. As a result, the number of UI claims has dropped significantly and the amount of UI benefits paid out of the UI Fund is down over 12 percent."

For 1998, California employers will be on the "D" schedule, which contains tax rates from 0.9 to 5.4 percent. On average, employers will save approximately \$15 in UI taxes for each employee compared to what they paid in 1997. UI rates are based on one of seven tax rate schedules (AA through F) established by law.

## You play an important part in protecting your UI rate

The EDD is responsible for assuring that the wages used to determine a claimant's Unemployment Insurance (UI) benefits are accurate and properly charged to the employer's reserve account. Federal government requirements give EDD short time frames (as few as 3 days) to verify a claimant's employment information and the amount of wages paid.



As an employer, you play an important part in ensuring that this information is correct. You may be contacted by an EDD representative requesting verifica-

tion of employment and wages paid to a former employee, and it is very important that you respond immediately to these requests. When employment and wage information cannot be verified with you, a determination is made based on the best information available.

Failing to respond to an information request could result in charges to your UI reserve account that otherwise may not have been incurred. These charges may increase your UI rate and, consequently, you may be required to pay more UI taxes.

## Employees must renew exempt status yearly

Both the federal Employee's Withholding Allowance Certificate (W-4) and the state Employee Withholding Allowance Certificate (DE 4)—which you receive from your employees claiming exemption from California Personal Income Tax (PIT) withholding—expire on February 15 each year.

Employees must renew their W-4/DE 4 by February 15 of each year if they wish to continue to remain exempt from PIT withholding. If an employee does not

sign a new W-4/DE 4, you are required to change the employee's withholding status to "single," with zero (0) withholding allowances claimed, and begin withholding PIT. The DE 4 form may be downloaded from EDD's Internet site: <http://www.edd.cahwnet.gov>. You can also call your local Employment Tax Customer Service Office to request the DE 4 form. If you have questions regarding this requirement, please contact the Franchise Tax Board at 1-800-852-5711.

## Occupational Employment Statistics survey underway

The Labor Market Information Division (LMID) of EDD, in cooperation with the U.S. Bureau of Labor Statistics, is currently doing its follow-up mailing of the 1997-98 Occupational Employment Statistic Wage Survey of employers. The survey requests wage information on specific occupational titles across all industry sectors, public and private.

In the first year of the survey, over 75 percent of employers sampled provided occupational and wage data. As a result, the LMID will be able to better fulfill employer requests for specific local and statewide wage and occupational data in the near future. If you have questions about this survey, please call 1-800-826-4896.

## Self-employed? What if you become disabled?

If you are self-employed or an employer, EDD offers our Disability Insurance Elective Coverage (DIEC) program to protect you against loss of income due to injury or illness. In order to qualify for these benefits, you must apply for DIEC, be approved for coverage, and pay quarterly premiums prior to becoming disabled.

The DIEC program offers you:

- A benefit waiting period of only 7 days.
- Protection whether the injury or illness is work-related or not.
- No disqualification or higher premiums based on age, occupation, or previous health history.
- Pregnancy-related disability benefits.
- Up to 39 weeks of paid benefits.

For DIEC eligibility requirements and other program information, please contact your local EDD DI Office, Employment Tax Customer Service Office, or visit our Internet sites:

- Frequently asked questions: <http://www.edd.cahwnet.gov/difaq9.htm>
- To request a DIEC application: <http://www.edd.cahwnet.gov/DE1378DI.pdf>

### California Employer

This newsletter is published quarterly by California's Employment Development Department of the State Health and Welfare Agency, and is distributed with tax forms to all employers who are subject to the provisions of the California Unemployment Insurance Code.

The EDD is an equal opportunity employer/program and is subject to Section 504 of the Rehabilitation Act and the Americans with Disabilities Act. To obtain information about accommodations for disabilities, contact your local EDD office, listed in your telephone directory under "State of California, Employment Development Department." TDD users can reach EDD through the California Relay Service at 1-800-735-2929.

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